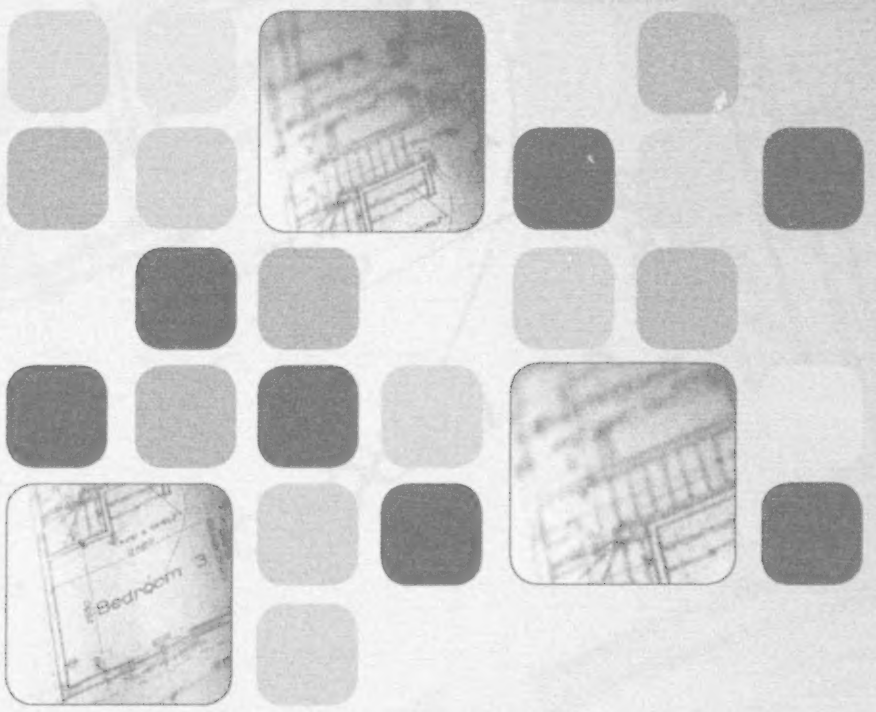
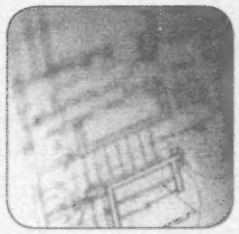
NORTHWEST TERRITORIES
HOUSING CORPORATION

Annual Report 06|07

Blueprint for Change

Adapting · Responding · Delivering





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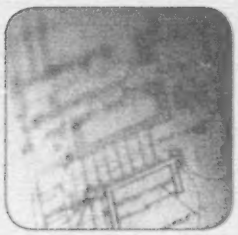


Blueprint for Change:
Adapting, Responding, Delivering

The Northwest Territories Housing Corporation has seen a renewed commitment to improving the housing conditions for the residents of the North. As the North is changing so to must the Corporation to continue to be successful in the environment in which it operates. Through the provision of new housing, management and care of our public housing portfolio and partnership initiatives, the Corporation is adapting and responding with different approaches, delivering new solutions that reflect the needs of residents.

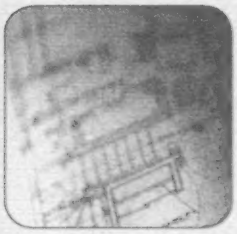
The Honourable Anthony W. J. Whitford, Commissioner
Government of the Northwest Territories

Dear Sir,

I have the honour of presenting the Annual Report for the Northwest Territories Housing Corporation, covering the period of April 1, 2006 to March 31, 2007.

Respectfully submitted,

Honourable Joseph L. Handley
Minister Responsible for the
Northwest Territories Housing Corporation



Minister's Message

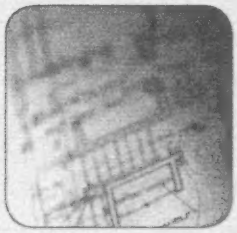
The focus of this year's Annual Report of the Northwest Territories Housing Corporation "Blueprint for Change: Adapting, Responding, Delivering," is one that clearly encompasses the activities that have been undertaken this past year.

The Corporation has seen major changes to the way that it operates, a necessary but challenging exercise that speaks of the commitment that I share to providing housing solutions that continue to meet the needs of territorial residents.

As the territory is moving towards greater independence and self-reliance, the ability to adapt, respond and ultimately deliver, based on the Corporation's mandate, is what will ensure that the Corporation is able to continue to move forward successfully. This is not a singular activity; the staff of the Corporation will continue to work in partnership with all levels of government, communities and stakeholders to identify and produce solutions that work to the betterment of the people they assist.

We are entering an exciting time for housing in the North. Our unique landscape and environment provide numerous challenges as well as opportunities. Through the continuing adaptation of our approach, responding with appropriate initiatives and, finally, the delivery of solutions that work, we can assure our success as we move forward, blueprint in hand.

Honourable Joseph L. Handley



President's Message

It has been said that adapting to change is one of the biggest challenges an organization may face. This past year saw the Northwest Territories Housing Corporation tackle this challenge directly.

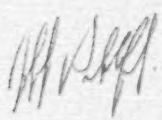
In the Fiscal Year 2006-2007, the Corporation undertook a number of initiatives and activities that will have a fundamental impact on how the Corporation fulfills its role in the Northwest Territories over the coming years. These changes also reflect the changing needs and desires of residents of the Northwest Territories.

During 2006-2007 the Corporation completed a review of its mandate. As the mandate guides our activities, this review was a critical component to ensure that the direction the Corporation is taking is effective in addressing the housing needs of territorial residents.

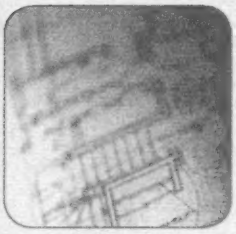
This past year also saw the roll-out of our new housing programs, *Housing Choices*. These new programs will allow the Corporation to continue to provide solutions to residents that are reflective of their needs and also the needs of communities in which the programs are delivered.

While both of these initiatives are important, we have also seen the implementation of major housing construction activity commence this year. The Affordable Housing Initiative or AHI will see increased housing delivered across the NWT. This initiative utilizes a collaborative approach to achieve its goal of approximately 500 dwellings constructed over a three year period.

We are proud of what we have accomplished as a Corporation in this past year, but also grateful for the assistance we have received in making it happen. The Corporation relies heavily upon partnerships to carry out the work we do: be it the Local Housing Organizations that manage our housing portfolio, community and municipal organizations, territorial government departments whose expertise and teamwork we rely upon to deliver new housing or services; and, finally, our employees whose dedication to their work is evidenced in their commitment to the changes that have occurred. Our blueprint is not the one written on paper but the actions we undertake to assist NWT residents; we are moving forward with an emphasis on communication, coordination and strategic planning partnered with our commitment to community capacity building – delivering housing solutions that are responsive to residents needs.



Jeff Polakoff, President and CEO



Corporate Profile

Our Vision

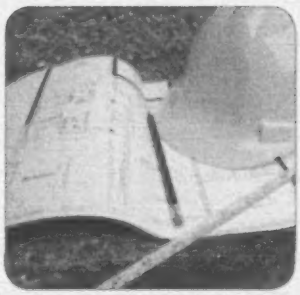
The Northwest Territories Housing Corporation is committed to providing opportunities for communities to become accountable for their own choices and housing. By working together, opportunities are provided for all community residents to have homes that support a healthy, secure, independent and dignified lifestyle.

Our Mission

The Northwest Territories Housing Corporation, together with citizens, communities, Local Housing Organizations (LHOs), Aboriginal organizations, the business community, other non-government organizations and other governments, are jointly responsible for addressing the quality, adequacy, suitability and affordability of housing in the Northwest Territories.

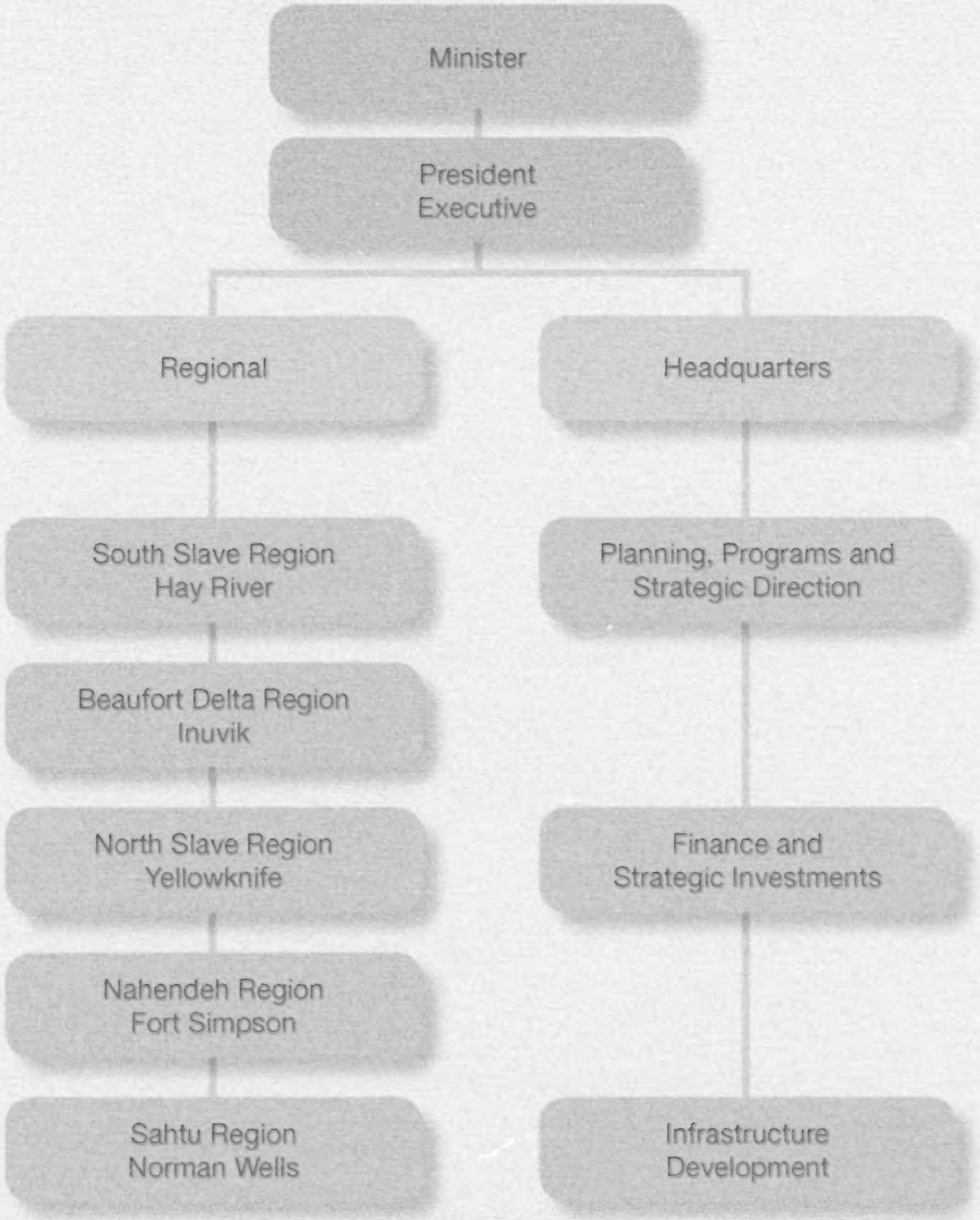
Our Goals

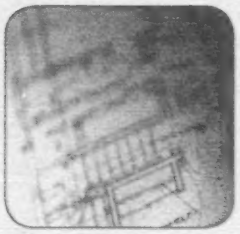
- Increasing the supply of suitable and affordable housing stock in communities to meet the housing needs of NWT residents;
- Acquiring and developing sufficient land to support the provision of affordable housing in all communities;
- Delivering homeownership programs and services which provide easy access to clients and secure and protect Corporation assets;
- Ensuring the long-term sustainability and energy efficiency of the housing stock; and
- Increasing personal responsibility for housing through community-based training and support, and strengthened collections policies and procedures.



Corporate Structure

The Northwest Territories Housing Corporation utilizes a broad network of staff to deliver its services to NWT residents. The chart below illustrates the areas of the Corporation at headquarters and in the Districts.





Our Organization

Executive

The Executive Office is responsible for guiding the Corporation activities in a manner that is consistent and reflective of the NWTHC mandate, the housing needs of NWT residents and the overall implementation of our housing programs, management systems and operations.

Planning, Programs and Strategic Direction

The Planning, Programs and Strategic Direction Division provides long-term strategic direction and planning for the Housing Corporation. This Division is also responsible for representing the Corporation in negotiations with the Canada Mortgage and Housing Corporation and other external stakeholders, and for the completion of housing needs surveys. The Division is responsible for strategic and business planning, policy and program development, qualitative and quantitative research, and business development. The Division is also responsible for land planning and acquisitions to ensure the Corporation acquires sufficient building lots to support its housing delivery.

Finance and Strategic Investments

The Finance and Strategic Investments Division is responsible for the overall financial affairs of the Housing Corporation and Local Housing Organizations. This Division provides services to internal and external clients of the Housing Corporation, and is responsible for capital planning, main estimates and asset management, which includes mortgage administration, property and inventory management. This Division also provides administrative services for the Housing Corporation, including accounting, information technology and systems, third-party portfolio management, internal audit functions and debt management.

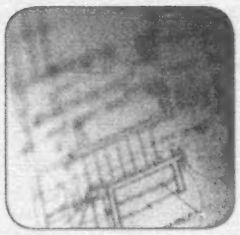
Infrastructure Development

The Infrastructure Development Division provides technical services related to the design, construction and maintenance of housing units. The Division is responsible for the development, management and administration of lands, development of designs, contracting and tendering services, material procurement, and construction and project management services in support of rental and homeownership programs. This Division is also responsible for technical research and development activities, and implementation of technologies related to northern construction materials, techniques and energy efficiency.

District Offices

The five District Offices support communities in program and service delivery. District Offices are responsible for the administration of District capital activities and program delivery. District Offices also play a pivotal role in lands acquisition and development, maintenance and training, and work closely with external stakeholders at the community level. District Offices work with Local Housing Organizations and NWT residents to identify options and programming to assist individuals in decision-making regarding their housing needs.

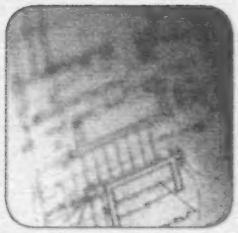
District Office and Communities Served



Local Housing Organizations

As part of the Corporation's structure, Local Housing Organizations (LHOs) are the link between the Corporation, the communities and the residents they serve. As part of our network, LHOs act as agents of the Corporation, ensuring that local input is gathered and solutions are identified that fit a community's needs.

The structure of a LHO consists of: a LHO Board, elected by the community it serves or appointed by the Minister; a Housing Manager, who runs the operations of the LHO; and the respective staff that work with the Housing Manager to administer the Corporation's public housing portfolio. Through the dedication and commitment of our LHOs we are able to remain responsive to the communities and residents we serve.



Corporation Initiatives

Renewal of the Corporation Mandate

With the goal of better meeting the housing needs of NWT residents, the Corporation undertook a comprehensive review of its previous mandate. This review was multi-faceted, incorporating consultations with stakeholders, community meetings and the use of a web site to garner as much input as possible and assist in ensuring that the refocused mandate would have a greater emphasis on delivery, repair and services to help people and communities, while being reflective of the needs of NWT residents.

The mandate review also supported the goals of the 15th Legislative Assembly as outlined in the Government of the Northwest Territories Strategic Plan and summarized in the 2006 Progress Report, Volume I – Overall Summary.

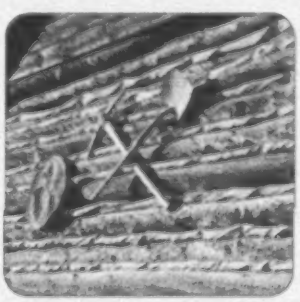
Our Renewed Mandate

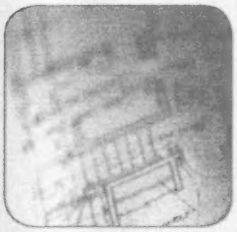
The mandate of the Northwest Territories Housing Corporation is to ensure, where appropriate and necessary, that there is a sufficient supply of affordable, adequate and suitable housing stock to meet the housing needs of Northwest Territories' residents.

Key principles of this mandate are:

- Residents of the Northwest Territories should have access to affordable, adequate and suitable housing.
- Housing policies and programs of the Northwest Territories Housing Corporation should be designed to encourage self-reliance.
- Communities and Aboriginal groups should play an important role in the delivery of publicly funded housing programs.
- The Northwest Territories Housing Corporation should operate on the business principle of cost recovery and achieving value maximization, where possible.
- Activities affecting the acquisition, disposal and development of residential lands should be conducted in accordance with established community government by-laws, and in full consultation and partnership with community governing authorities and local Aboriginal and self-government groups.

With a renewed mandate, the Corporation can effectively move forward with a clear focus and commitment to delivering housing solutions that work.





Program Consolidation

Program delivery has been a primary function of the NWT Housing Corporation for the past 30 years. Through the provision of assistance for new home construction, and the purchase or repair of homes, the NWT Housing Corporation has been instrumental in developing communities and improving the standard of life for NWT residents. Throughout the years, our homeownership programs have undergone revisions and even fundamental changes in an effort to further promote independence, while trying to continually address the shelter needs of those in core need.

To ensure that the mandate of the Corporation is carried out, it is vital that our housing programs continue to meet the needs of residents and respond to the current environment in which they are delivered. As such, the Corporation engaged in a review of the previous program offerings, with the goal of providing programs that better meet the needs of the people it serves. The requests of our clients and other stakeholders to see a simplified program structure that improves access and better prepares them for homeownership were realized with the launch of *Housing Choices*, four new programs that replace the programs offered previously. One of the biggest changes realized with this new structure is a primary focus to provide education and counselling so that territory residents have the tools to be more successful in meeting their housing goals.

Housing Choices at a Glance

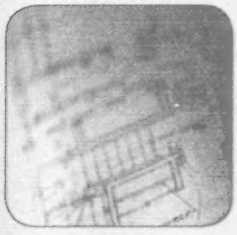
STEP (Solutions To Educate People) provides participants with education and counselling assistance consisting of four courses designed to prepare them for the requirements of homeownership. STEP aims to increase homeownership applicants' financial skills as well as their knowledge of the home purchase process and basic home maintenance repairs.

HELP (Homeownership Entry Level Program) is a transitional lease program which provides assistance to prospective first-time homebuyers. Clients who are not able to secure mortgage financing or are unsure of their responsibilities as homeowners are provided the opportunity of experiencing homeownership commitments before purchasing a home.

PATH (Providing Assistance for Territorial Homeownership) allows clients the opportunity to become homeowners by assisting in the construction or purchase of a modest home. Clients obtain additional funding from an approved financial institution or other verifiable sources.

CARE (Contributing Assistance for Repairs and Enhancements) is the Corporation's sole repair program. CARE enables existing homeowners to make necessary repairs to their home to ensure a safe and healthy residence, and to increase the useful economic life of their home. CARE encompasses the successful aspects of the previous repair programs, while introducing new criteria that make the program more accessible to NWT residents.

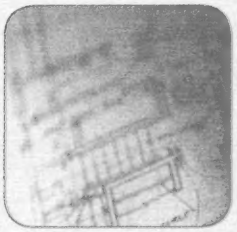
The new program structure announced in February of 2007 supports the Corporation's commitment to ensuring, where appropriate and necessary, that there is a sufficient supply of affordable, adequate and suitable housing stock to meet the housing needs of Northwest Territories' residents. It is also reflective of the Government of the Northwest Territories' vision of fostering self-reliance.



Affordable Housing Initiative

The Northwest Territories Housing Corporation and the Government of Canada announced a three year strategy to deliver affordable housing over the course of three years, starting in 2006. A federal contribution of $50 million from the Northern Housing Trust, along with an additional $50 million funded by the Government of the Northwest Territories through the Corporation, will see approximately 500 dwellings in communities across the NWT during this planning period. This will include the enhancement in the energy efficiency of dwellings through the replacement of current public housing stock as well as increase the availability of homeownership units for residents of the NWT.

To ensure that the delivery planned through this initiative is realized, the Corporation, in partnership with the Department of Municipal and Community Affairs (MACA), collaborated to create an Affordable Housing Plan that will provide support to communities to partner with the Corporation on land development. Partnerships with the federal government, MACA and communities will enable the Corporation to improve housing conditions in a manner that ensures proper land tenure, while delivering a significant number of new houses over a short timeframe.



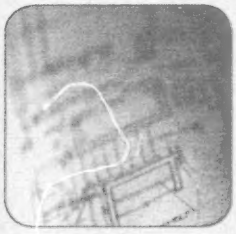
Working Together

Working closely with partners is a key element of how the Corporation carries out its business activities. Housing is an area that impacts the activities of governments, stakeholders and communities as a whole. Through its partnerships the Corporation maximizes the delivery of programs and services to residents of the NWT.

A partnership that has been ongoing for many years is between the Corporation and the Canada Mortgage and Housing Corporation (CMHC). The Corporation and CMHC partner in the delivery of housing programs, with the programs from CMHC supplementing the ones offered by the Corporation. This approach maximizes the benefits for territorial residents. A more recent initiative undertaken by the Corporation and CMHC is the placement of information kiosks in all Corporation District Offices throughout the NWT. These kiosks provide information to residents on a variety of topics related to housing, from both the Corporation and CMHC. Additionally, the Corporation and CMHC worked together in holding a District Housing Conference in the community of Norman Wells, NWT. This conference saw industry partners and community members engaged in a sharing of knowledge and tools, with a focus on the Sahtu region. An array of topics was covered during the conference that participants would not otherwise have been able to access.

This past year saw a significant change occur with respect to the administration of the public housing subsidy provided by the government of the Northwest Territories to residents in need. The Corporation, under the direction of the Government, transferred responsibility for the administration of the public housing subsidy to the Department of Education, Culture and Employment (ECE). This transfer required both the Corporation and ECE to work closely on an ongoing basis, from the initial planning through to the actual transfer. While the Corporation no longer holds responsibility for public housing subsidies, it continues to be responsible for the management of the public housing portfolio on behalf of the government.

A continued partnership with ECE is vital to ensuring that residents of public housing are served in the best manner possible. Close coordination with ECE continues and is imperative so that any gaps that may exist from this transfer are closed. We are working together, with steps being taken to ensure that clients in need continue to receive the best service possible.



Our People

Staff Profile – Philip Bailey

Assets one would normally associate with a Corporation, such as buildings or inventory, do not account for what is truly invaluable, the staff of the Corporation. It is through the work of these employees that the Corporation is able to be responsive to the clients it serves.

Philip Bailey may not have started out his career with thoughts of one day working in the harsh climes of the North, but today the North is where he is happy to call home. Philip started work with the Corporation as a Program Advisor in 2003 at the Sahtu District Office in Norman Wells. His position as a Program Advisor keeps him busy, providing housing programs and services to three communities that he assists in this role.

Change is critical in being successful in meeting client needs. This was evidenced in the recent launch of *Housing Choices*, the new housing programs offered by the Corporation. Changes were necessary for the programs to continue to remain responsive to the needs of the people they assist. "We were hearing from our clients that certain things were not working with the previous programs we were providing," says Philip. "Our new programs offer a more straightforward approach to program delivery, which I am excited to be delivering in our communities."

When asked about where he sees the Corporation heading, Philip is quick to point out that if his experience is any indicator it will be a continued emphasis on the communities and stakeholders. "Partnerships are a vital part of what we are able to do, both at our District as well as from a Corporation standpoint," says Philip. "To continue to meet our challenges further partnerships with communities, bands, land organizations and other groups will be part of our approach, I am sure."

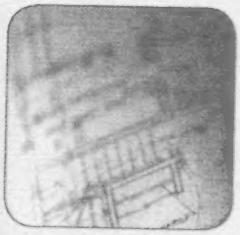
District Office Profile – Beaufort Delta

Having the title of the most northern District Office, the Beaufort Delta District Office in Inuvik is unique in every sense of the word. Serving the communities of Sachs Harbour, Ulukhaktok, Paulatuk, Tsiigehtchic, Fort McPherson, Tuktoyaktuk, Inuvik and Aklavik, the Office serves communities as diverse as the territory itself.

The Office is managed by the District Director, Franklin Carpenter, who is supported by a team of people that are committed to the work they do. "One of the best things about our Office is the people that work here," says Franklin. "Being surrounded by people who are so dedicated in assisting the communities and clients in meeting their housing needs is refreshing."

Having grown up in Sachs Harbour himself, Franklin has worked with the Corporation for over nine years, living and working in the region long enough to see the impact that the Office has made in assisting communities in meeting their housing needs. "Starting out as a Programs Advisor with the Corporation allowed me to see first-hand the linkage between client needs and the programs and services we offer as a Corporation," says Franklin. "Now, as Director, I work to ensure that, as the communities we work with change, so to do our efforts and approach as a District to ensure that we continue to meet the challenges we face."

One of the most recent challenges that the District has had to face is the launch of *Housing Choices*, the new housing programs offered by the Corporation, which replaced the 14 programs previously delivered. "Being able to respond to change is a vital component of our success as a District and one of our main strengths," says Franklin. "At the end of the day, being able to see the positive difference we have made is one of the most rewarding parts of what we do."



Local Housing Organization Profile – Fort Simpson Housing Authority

It is not difficult to see why the role of Local Housing Organizations (LHOs) is fundamental to the success of the Corporation in meeting the needs of the communities and clients we serve. One of these LHOs, located in the community of Fort Simpson, relies on the expertise of Housing Manager Ann O'hare to serve the communities of Fort Simpson and Fort Liard.

The Fort Simpson Housing Authority Office, comprised of a total of eight staff, is responsible for the administration of the housing portfolios in the two communities. However, what is unique about the Office is that, in addition to the public housing it administers in Fort Simpson, it also is responsible for the delivery of market housing in Fort Liard. Ann sees the role of her LHO as providing housing in accordance with the Corporation's mandate, with a focus on educating tenants of their responsibilities. This approach is taken with the interest of hopefully seeing rental clients transition from renters into homeowners through the homeownership program offered by the Corporation.

As is indicative of the nature of the environment in which our LHOs operate, a typical 'day at the office' is practically non-existent, with daily activities ranging from building inspections to tenant relations matters, or liaising with other stakeholders. The support of a solid staff is vital in responding to the needs of the people served by the office. "The best thing about our LHO is that we are a small, cohesive, proactive organization that is receptive to change," says Ann. "This reception to change was evidenced with the transfer of the Public Housing Rental Subsidy (PHRS) to the Department of Education, Culture, and Employment (ECE)." The transfer saw the administration of the subsidy provided to qualifying tenants previously handled by the LHOs across the NWT transferred to ECE. The LHOs continue to fulfill their role as Property Managers, while now working in partnership with their counterparts from ECE, illustrating how adapting to change is critical to the success of the service the Corporation provides.

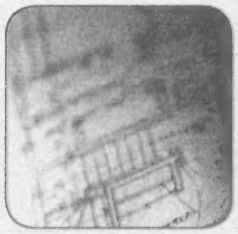
The life of an LHO is not all about change and challenge, however, as Ann will be first to point out. One of the most rewarding parts of the work that they do is seeing the results over time. "Moving from allocating a rental unit to a family who is in core need and then having that same family move from being renters to a successful homeowner is one of the most rewarding parts of what we do," says Ann. "Knowing that it is through our joint efforts, both at the LHO and the Corporation, allows us to also share in the success of the clients we work with."

2006-2007 Long Service Award Recipients

25 Years	Marsh Wilson	Infrastructure Development Division
20 Years	Mark Warren	Executive Division
15 Years	Ioan Astle	Planning, Programs and Strategic Direction Division
	David Klingbeil	Infrastructure Development Division
	Sheldon Grayston	Finance and Strategic Investment Division
5 Years	Doreen Drygeese	Finance and Strategic Investment Division
	Rudolf Mouthaan	Finance and Strategic Investment Division
	Bonita Leonardis	Finance and Strategic Investment Division
	Mike Jackson	Finance and Strategic Investment Division
	Jasmin Mirza	Planning, Programs and Strategic Direction Division

Consolidated Financial Statements

Northwest Territories Housing Corporation
March 31, 2007



Management Discussion and Analysis

Highlights and Challenges

Affordable Housing Initiative

In 2006-2007, the Northwest Territories Housing Corporation initiated the Affordable Housing Initiative, a three-year strategy to increase the social housing stock by more than 500 homes. The first year of the strategy initiated the construction of 100 public housing units and 111 homeownership units, with 20 and 43 units, respectively, being completed in year one. This initiative is a cost-shared partnership with Canada Mortgage and Housing Corporation, facilitated under the Northern Housing Trust, with a total three-year budget of $100 million – $50 million from the federal government and $50 million from the Government of the Northwest Territories.

Housing Choices

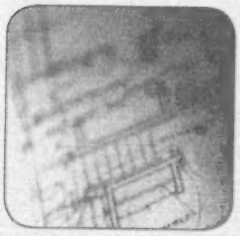
During this reporting period, NWTHC simplified its program structure, in response to clients and stakeholders, and rebranded its support for homeownership through the launch of Housing Choices. This reformulation facilitates access to programming under four main streams: STEP (Solutions To Educate People), which provides education and counselling assistance courses; HELP (Homeownership Entry Level Program), a transitional lease program which provides assistance to prospective first-time homebuyers; PATH (Providing Assistance for Territorial Homeownership), which allows clients the opportunity to become homeowners; and CARE (Contributing Assistance for Repairs and Enhancements), a sole repair program that is flexible to the needs of homeowners.

Housing Needs

The 2004 Housing Needs Survey shows that of the 13,902 occupied dwellings in the Northwest Territories, an estimated 4,015 households (29%) had some form of housing problem, while 2,260 households were in core need (16%), that is, required assistance to remedy their housing problems.

With respect to the types of problems indicated by respondents, some 14% of households reported an adequacy problem, which indicates major problems with the physical condition of their dwelling. Suitability, or problems associated with overcrowding, were identified in 9% of households. Affordability, referring to the cost of housing, was identified by 11% of households.

The high incidence of adequacy problems suggests that programming in the future should focus on the replacement of housing that is past its useful life and major renovations to homeownership and public housing units.



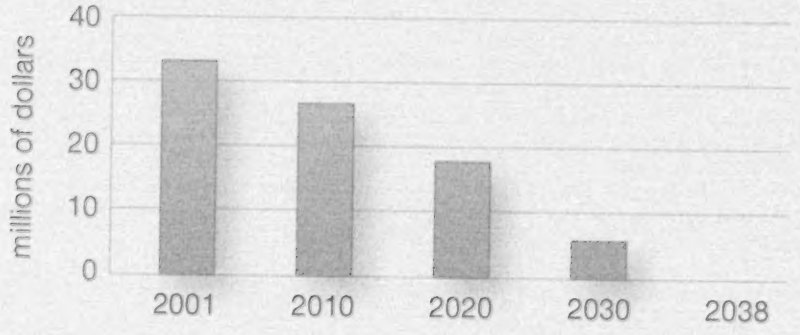
Skilled Labour and Construction Capacity

The Corporation continues to remain challenged by a substantial lack of supply of northern skilled trades and labour. As the economy goes into a phase of aggressive expansion, due in large part from the increased activity in mining and oil and gas, costs of construction continue to escalate. NWTHC plans to help address these issues in future years through focused investment in apprenticeships.

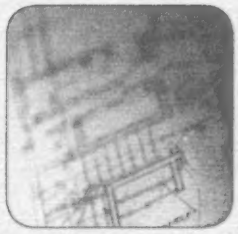
Declining CMHC Funding

The Canada Mortgage and Housing Corporation provides an ongoing subsidy to pay a portion of the operating and amortization costs of the GNWT's public housing portfolio. The current terms of the subsidy agreements are that once the individual mortgages are paid, the federal funding needed to help operate the units expires. As a result, over the years 2003-2004 to 2037-2038, the GNWT will face a total shortfall in operations and maintenance (O&M) funding of over $339 million. The GNWT will have to offset the loss in federal funding though additional contributions or determine other options to address this significant shortfall in funding. The Corporation, along with its territorial counterparts in Nunavut and Yukon and the southern jurisdictions, are actively making the case to the federal government to reinvest any legacy savings from their declining contribution back into the public housing portfolio.

Declining CMHC Funding



In the fiscal year 2003-2004, O&M funding will begin to decline. By 2038, contributions will decline to zero. The option of the disposal of some public housing may make up for some of the shortfall in operation and maintenance funding.

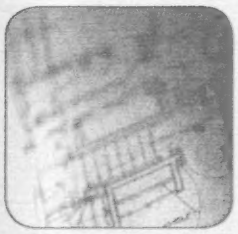


Financial Position

The Corporation's financial position remained strong for 2006-2007. The Corporation continues to maintain a positive cash and cash equivalent position as well as a solid working capital position. This is necessary to ensure future obligations can be met, particularly related to escalating construction costs and to mitigate any financial risk associated with the third party mortgages that the Corporation administers on behalf of Canada Mortgage and Housing Corporation (CMHC). The Corporation indemnifies and holds CMHC harmless for any risk on these mortgages, as provided under the Social Housing Agreement with CMHC.

The Corporation's total assets increased in 2006-2007 by $31.3 million or 17%. A large part of this is due to increases in the investment in housing projects of $16.8 million, including new seniors and singles public housing units and homeownership entry level units that may eventually be sold to our clients. Current assets also increased by $14.7 million, due in large part to the additional funding provided under the Affordable Housing Initiative.

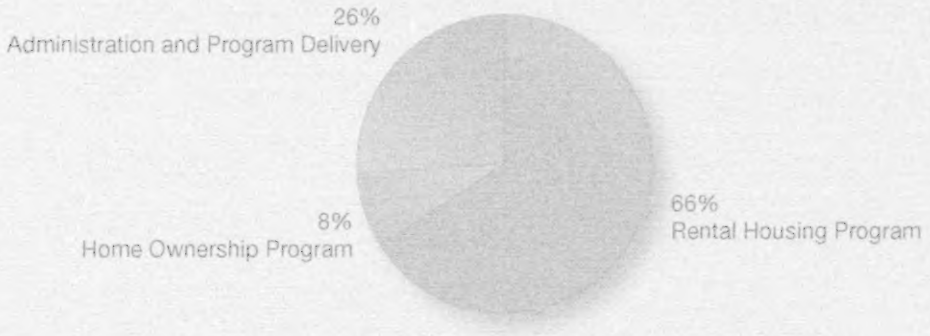
Approximately $10.0 million in corporate loan guarantees were active as of March 31, 2007. The guarantees on interim financing assists private sector companies build or upgrade single or multi-unit residential housing for rental accommodation or for the homeownership market.



Operating Expenditures

Total operating expenditures for 2006-2007 were $76.5 million, a slight decrease over the previous year. Expenditures on the Rental Housing Programs were $50.3 million, comprising 65.7% of the annual operating costs of the Corporation, and continues to be the largest part of the Corporation's budget. These operating costs support approximately 2,400 units that are subsidized by the Corporation for the provision of social housing and an additional 117 market housing units.

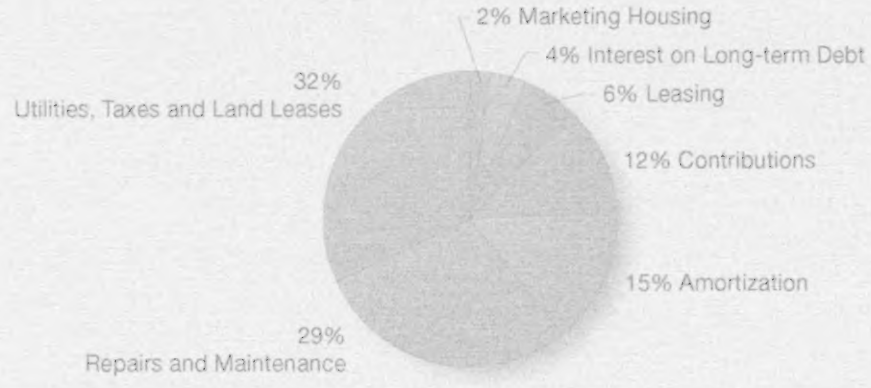
Operating Expenditures



Rental Housing Program expenditures on utilities, taxes and land leases were $16.3 million in 2006-2007, an increase of $1.1 million over the previous year. The ever increasing operating costs related to the Corporation's public housing stock continues to be an issue for the Corporation and requires the Corporation to maintain the status quo in terms of the availability of public housing units.

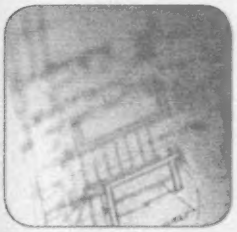
Building repairs and maintenance costs related to the Rental Housing Programs were $14.8 million in 2006-2007. This includes the preventative and demand maintenance and repairs, and upgrades under the modernization and improvement program to maximize the useful life of these units.

Rental Housing Program Expenditures



Homeownership program expenditures were $6.2 million in 2006-2007, with 71% of this funding used for the provision of homeownership grants and contributions to support new private housing as well as improvements to the existing homeownership stock. The balance is related to costs under the Corporation's mortgage portfolio, including mortgage impairment and mortgage subsidies.

The Corporation also spend $20 million on administration and program delivery costs. These costs are related to the salaries, benefits and administrative costs for 23 Local Housing Organizations in their delivery of the Rental Housing Program; the administration and program delivery costs in five District Offices; and the administration and program support costs in he Head Office.

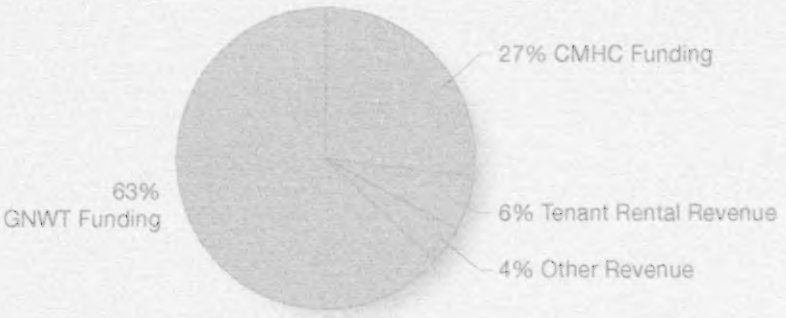


Revenues

The Corporation received total revenues of $80 million in 2006-2007. The GNWT funding of $65.4 million for operations is provided as follows: $25.5 million GNWT contribution; $32.7 million in public housing rental subsidies from the Department of Education, Culture and Employment (ECE) of which $14.8 million is received from the Federal Government through CMHC; and $7.2 million for the amortization of deferred capital funding. Federal contributions, as provided under the Social Housing Agreement with CMHC, were $6.4 million direct to the corporation and $14.8 million to the GNWT.

Other revenue is comprised of all other sources of revenue other than government funding and the tenant portion of rent revenue. This includes: investment revenue; gains on disposal of capital assets; mortgage interest revenue; and other miscellaneous revenue and recoveries.

Revenue



Capital Acquisition Plan Expenditures

The Corporation continues to make investments in capital infrastructure by replacing older housing units with new units and by renovating and upgrading to extend the useful life of its existing housing stock. Funding under the Affordable Housing Initiative allowed the Corporation to substantially accelerate their planned capital infrastructure activities with total capital expenditures for 2006-2007 of $29.7 million, an increase of 73.7% over the $17.1 million expended in the prior year.

Auditor General of Canada
Vérificatrice générale du Canada

Auditor's Report

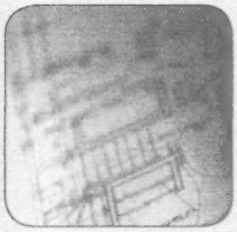
To the Minister Responsible for the
Northwest Territories Housing Corporation

I have audited the consolidated balance sheet of the Northwest Territories Housing Corporation as at March 31, 2007, and the consolidated statements of operations, equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act* of the Northwest Territories, I report that, in my opinion, these principles have been applied, after giving retroactive effect to the accounting changes as described in Note 3 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation and the consolidated financial statements are in agreement therewith. In addition, the transactions of the Corporation that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part IX of the *Financial Administration Act* of the Northwest Territories and regulations and the *Northwest Territories Housing Corporation Act* and regulations, with the exception that the Corporation did not meet its statutory deadline for submitting its annual report to its Minister as described in the following paragraph.



Section 100 of the *Financial Administration Act* of the Northwest Territories requires the Corporation to submit its annual report to its Minister not later than 90 days after the end of its financial year, or an additional period, not exceeding 60 days, that the Minister of Finance may allow. The Corporation did not meet its statutory deadline for submitting its annual report to its Minister for the current fiscal year. In addition, the Corporation submitted its annual report for the prior fiscal year to its Minister in December 2007, approximately 19 months after its 90 day statutory deadline.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
July 23, 2008

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Management is responsible for the integrity and objectivity of the data in these financial statements and other financial information and, where appropriate, the statements include estimates and judgements based on careful consideration of information available to management.

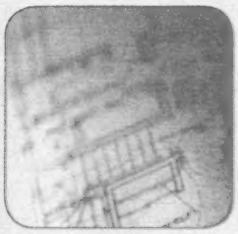
In discharging its responsibilities for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that, assets are safeguarded, proper records are maintained, and transactions are authorized and in accordance with the *Financial Administration Act*, the *Northwest Territories Housing Corporation Act* and the policies of the Corporation. These controls and practices ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information, and adherence to the Corporation's policies and statutory requirements. Management also recognizes its responsibility for conducting the Corporation's affairs in accordance with the requirements of applicable laws and sound business principles, and for maintaining standards of conduct that are appropriate to a Territorial Crown Corporation.

The Auditor General of Canada provides an independent, objective audit for the purpose of expressing her opinion on the consolidated financial statements of the Corporation. She also considers whether the transactions that come to her notice in the course of this audit are, in all significant respects, in accordance with the specified legislation.

J.B. (Jeff) Anderson, CGA, CPA
Acting President

Sheldon Grayston, CMA
Director, Finance and Administration

Yellowknife, Northwest Territories
July 23, 2008



Consolidated Balance Sheet

As at March 31, 2007 (in thousands)

	2007	2006
Assets		(Restated – Note 3)
Current		
Cash and cash equivalents (Note 4)	$ 19,728	$ 23,820
Accounts receivable (Note 5)	22,523	3,545
Prepaid expenses	68	212
	42,319	27,577
Fixed-term investments (Note 6)	6,462	6,393
Investment in housing projects		
Land and buildings (Note 7a)	158,728	140,005
Mortgages receivable (Note 7b)	1,901	3,806
	160,629	143,811
Property and equipment (Note 8)	4,506	4,769
	$ 213,916	$ 182,550
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 9)	$ 20,154	$ 13,976
Current portion of long-term debt and capital leases	1,054	960
	21,208	14,936
Long-term debt payable to CMHC (Note 10)	13,568	13,996
Obligation under capital leases (Note 11)	7,878	8,235
Employee future benefits (Note 12)	2,432	2,168
Deferred capital funding (Note 13)	144,933	122,789
	168,811	147,188
Equity		
Equity of the Government of the Northwest Territories	23,897	20,426
Commitments and contingencies (Notes 17 and 18)	$ 213,916	$ 182,550

Approved by Management:

Acting President

Director, Finance and Administration

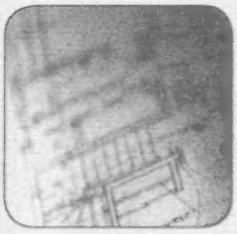
The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Statement of Operations

For the year ended March 31, 2007 (in thousands)

	2007	2006 (Restated – Note 3)
Expenses		
Rental housing programs		
Utilities, taxes and land leases	$ 16,323	$ 15,216
Repairs, maintenance, and other costs	14,804	13,847
Amortization	7,623	7,461
Contributions for social housing	5,856	6,253
Leasing	2,830	2,970
Interest on long-term debt	1,797	1,737
Contributions for market housing	1,036	1,094
Homeownership programs		
Homeownership grants and contributions	4,358	5,787
Provision for impaired mortgages	1,530	3,187
Mortgage subsidies, net of recoveries	326	–
Administration (Note 14)	20,050	19,392
	76,533	76,944
Revenues and Recoveries		
Rental revenue	4,695	4,058
Mortgage subsidy recoveries, net of subsidies	–	2,747
Other revenue and recoveries	1,841	1,691
Investment revenue	1,184	776
Gain on disposal of capital assets	295	1,455
Mortgage interest revenue	142	270
Recovery of prior year grants	–	176
	8,157	11,173
Net Results of Operations Prior to Government Funding	68,376	65,771
Government Funding		
Government of the Northwest Territories	58,220	50,508
Canada Mortgage and Housing Corporation (Note 15)	6,398	6,497
Amortization of deferred capital funding (Note 13)	7,229	8,132
	71,847	65,137
Net Results of Operations	$ 3,471	$ (634)

The accompanying notes form an integral part of the consolidated financial statements.



Consolidated Statement of Equity

For the year ended March 31, 2007 (in thousands)

	2007	2006
		(Restated – Note 3)
Equity of the Government of the Northwest Territories, beginning of the year as previously reported	$ 20,426	$ 6,400
Prior year restatements (Note 3)	–	14,660
Equity of the Government of the Northwest Territories, beginning of the year, as restated	20,426	21,060
Net results of operations	3,471	(634)
Equity of the Government of the Northwest Territories, end of the year	$ 23,897	$ 20,426

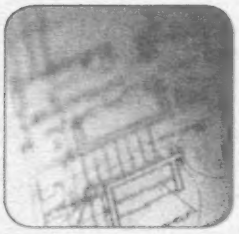
The accompanying notes form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the ear ended March 31, 2007 (in thousands)

	2007	2006 (Restated – Note 3)
Cash Flow from Operating Activities		
Cash received from:		
Government of the Northwest Territories	$ 41,142	$ 52,867
Canada Mortgage and Housing Corporation	6,863	11,299
Rental revenue	2,774	4,189
Miscellaneous revenue and recoveries	3,167	2,446
	53,946	70,801
Cash used for:		
Administration	(19,573)	(23,870)
Utilities, taxes and land leases	(16,179)	(17,345)
Repairs, maintenance and other costs	(13,099)	(12,960)
Homeownership grants and contributions	(4,358)	(3,955)
Contributions for social housing	(5,856)	(3,329)
Leasing	(2,830)	(2,970)
Interest on long-term debt	(1,739)	(1,727)
Contributions for market housing	(1,036)	(1,047)
Mortgage subsidies, net of recoveries	(326)	2,747
	(64,996)	(64,456)
Cash (used for) provided by operating activities	(11,050)	6,345
Cash Flow from Financing Activities		
Funding from the Government used to purchase capital assets	29,373	16,229
Repayment of long-term debt and capital leases	(691)	(900)
Cash provided by financing activities	28,682	15,329
Cash Flow from Investing Activities		
Capital assets purchased	(25,472)	(19,124)
Proceeds on sale of capital assets	3,442	4,538
Proceeds from fixed-term investments	1,031	990
Purchases of fixed-term investments	(1,100)	–
Mortgage payments received	375	841
Cash used for investing activities	(21,724)	(12,755)
Net (Decrease) Increase in Cash	(4,092)	8,919
Cash and Cash Equivalents		
Beginning of the year	$ 23,820	$ 14,901
End of the year	$ 19,728	$ 23,820

The accompanying notes form an integral part of the consolidated financial statements.



Notes to Financial Statements

March 31, 2007 (in thousands)

1. Purpose of the Organization

The Northwest Territories Housing Corporation (the Corporation) is a Territorial Crown Corporation, established under the *Northwest Territories Housing Corporation Act* (the Act). The Corporation is exempt from income tax but is subject to Goods and Services Tax.

The Corporation is committed to working in partnership with communities and to provide opportunities for communities to become accountable for their own choices and delivery of housing programs. Through this partnership, opportunities are provided to all community residents to have homes that support a healthy, secure, independent, and dignified lifestyle. The Corporation's principal objective is to develop, maintain, and manage public housing programs in the Northwest Territories.

The Government of the Northwest Territories (the Government) provides funding to the Corporation under Section 20 of the Act. Pursuant to provisions of this Act, the Corporation is dependent upon the Government, either directly or indirectly through guarantees, for the funds required to finance the net cost of its operations and capital acquisitions.

2. Significant Accounting Policies

The Corporation's consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP).

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could significantly differ from those estimates. The more significant management estimates relate to the allowance for impaired mortgages receivable and the determination of employee future benefits.

The significant accounting policies are as follows:

Consolidation

These consolidated financial statements include the accounts of the Corporation and, as required by *Accounting Guideline 15: Consolidation of Variable Interest Entities* (AcG-15) issued by the Canadian Institute of Chartered Accountants, the accounts of Local Housing Associations and Authorities (LHAs), variable interest entities (VIEs) for which the risks of their operations are effectively the responsibility of the Corporation. All significant inter-entity balances and transactions have been eliminated in the consolidated figures.

Contributions for Social Housing

Housing units owned or leased by the Corporation are operated by local housing associations, authorities, municipalities, and bands under agreements. The operations of the local housing associations and authorities are fully consolidated in these financial statements as described in the consolidation accounting policy. Contributions to municipalities and bands for the annual operating requirements of these owned or leased housing units, net of rent revenues collected, are recorded on an accrual basis, but only to the extent of the Corporation's agreed upon contributions to them.

The Corporation provides subsidy assistance to various non-profit housing sponsor groups and co-operatives in accordance with operating agreements, which set out the basis on which eligibility for subsidy assistance will be determined. These expenditures are recorded based on actual or estimated costs incurred by each sponsor group in the year.

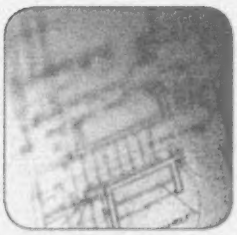
Revenue Recognition

Funding provided by the Government for operating purposes is recognized as revenue in the fiscal year when received or receivable. The portion of the funding used to purchase capital assets is recorded as deferred capital funding and is recognized as revenue on the same basis as the related capital assets are amortized. Funding provided in the form of depreciable capital assets is also recorded as deferred capital funding and is recognized as revenue on the same basis as the related capital assets are amortized.

Funding provided by the Government for the provision of public housing rental subsidies is recognized as revenue in the fiscal year during which the related public housing assistance is provided to low-income households.

Funding received from Canada Mortgage and Housing Corporation (CMHC) is pursuant to the provisions of the Social Housing Agreement (SHA) between CMHC and the Corporation. The portion of the funding received for the operations and maintenance of the various social housing programs specified under the SHA is recognized as revenue in the fiscal year in which the related expenses are incurred. The portion of the funding received from CMHC under the Affordable Housing Program agreement is credited to deferred capital contributions for the capital costs of housing units built under the program.

Rental revenue is recognized in the fiscal year during which the related public housing assistance is provided to low-income households. An allowance is recognized for any rental amounts owing which are deemed uncollectible.



Cash and Cash Equivalents

Cash and cash equivalents are comprised of short-term highly liquid investments and bank account balances net of outstanding cheques. Cash equivalents are recorded at the lower of cost or market value.

Investments

Fixed-term investments are valued at cost; with unrealized losses only recognized when there has been a permanent decline in the value of investments. Interest income is recorded on the accrual basis.

Investment in Housing Projects – Land and Buildings

Land and buildings constructed or purchased by the Corporation for the rental and leasing portfolios, including construction in progress, are recorded at cost. Buildings were stated at their respective book value when transferred from CMHC or the Government. This was considered a reasonable estimate of cost. Housing for sale is carried at lower of cost and estimated realizable value. Housing materials are valued at lower of cost and net realizable value.

Social and market housing units are recorded as capital leases when the Corporation enters into lease agreements where, in effect, the risks and benefits of ownership are transferred to the Corporation. In such cases, the cost of the asset is determined as the discounted net present value of the minimum lease payments and is amortized using the straight-line method over the lease term. Obligations recorded under capital leases are reduced by rental payments net of imputed interest and executory costs. Interest expense is included in interest on long-term debt.

Amortization for social housing, leased housing, and market housing is provided using the declining balance method at an annual rate of 5%. The provisions for amortization begin in the year the building is completed, or transferred in, and are taken for the full year. Housing for sale and construction in progress are not amortized.

Investment in Housing Projects – Mortgages Receivable

a) Mortgage Subsidies

The Corporation, under section 44(1) of its Act, subsidizes principal and interest payments due from homeowners under the legal terms and conditions of mortgages. These subsidies vary in amount depending on the income of the mortgagees. Subsidies are expensed in the year the mortgage is approved and are recorded as mortgage subsidies, net of recoveries.

Accordingly, the mortgages receivable balance represents the present value of the expected future payments from clients on the mortgages, prior to an allowance for impairment. Subsequent changes to the amount of subsidy provided, resulting from changes in income of the mortgagee, are recognized in the year the changes occur.

b) Allowance for Impaired Mortgages

Mortgages are considered impaired when deterioration in credit quality has occurred and there is reasonable doubt as to the timely collection of principal and interest. A mortgage is considered impaired when a payment is six months in arrears. Based on management's judgment and the Corporation's historical loss experience on impaired mortgages, an allowance of 100% is established to reduce the carrying amount of mortgages specifically identified as impaired to their estimated realizable value of nil.

c) Mortgage Interest Revenue

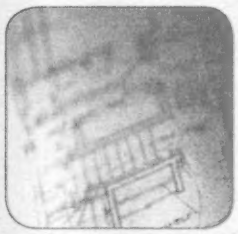
Interest income on mortgages is recorded on the accrual basis. When a mortgage becomes impaired, recognition of interest ceases and any previously accrued but unpaid interest revenue is reversed against the mortgage interest revenue. Thereafter, interest income is recognized on a cash basis, but only after prior write-offs arising from credit losses and the allowance for impairment has been recovered.

Property and Equipment

Property and equipment are stated at amortized cost. Amortization is provided using the following methods and annual rates:

Office furniture and equipment	Declining balance	20%
Warehouses and offices	Declining balance	5%

Leasehold improvements are amortized on a straight-line basis over the term of the leases.



Employee Future Benefits

Employees participate in the Public Service Pension Plan (the Plan) administered by the Government of Canada. The Corporation's contributions reflect the full cost as employer. This amount is based on a multiple of employee contributions and may fluctuate over time, depending on the experience of the Plan. The Corporation's contributions are expensed during the year in which the services are rendered and represent the total pension obligation. The Corporation is not required to make contributions with respect to actuarial deficiencies of the Plan.

Under the terms and conditions of employment, employees may earn leave, severance and removal benefits based on years of service. The benefits are paid upon resignation, retirement, or death of an employee. The cost of these benefits has been determined based on management's best estimates and accrued as a liability as employees render service.

Future Accounting Changes – Financial Instruments

On January 2005, the CICA issued a number of new Handbook Sections including Section 3855, *Financial Instruments – Recognition and Measurement*, Section 1530, *Comprehensive Income*, and Section 3251, *Equity*.

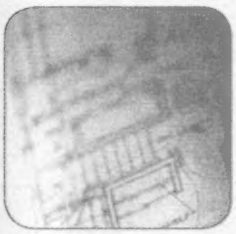
- Section 3855 provides standards on the recognition and measurement of financial assets, liabilities and non-financial derivatives.
- Section 1530 establishes standards on the reporting and display of changes in equity from transactions and other events and circumstances from non-owner sources (comprehensive income).
- Section 3251 establishes standards for the presentation of equity and changes in the reporting period.

All of these Sections are effective for the Corporation's fiscal year beginning on April 1, 2007. The Corporation is currently evaluating the impact of these new recommendations.

3. Restatement of 2006 Consolidated Financial Satements

The consolidated financial statements of 2006 have been restated to correct the following errors:

- Under the terms of the 1999 Social Housing Agreement (SHA) between CMHC and the Corporation, CMHC provided social housing assets to the Corporation in exchange for mortgages and loans payable by the Corporation to CMHC. In addition, under the SHA, CMHC has been funding the payments by the Corporation of 100% of the mortgages payable to CMHC (referred to as NHA Section 79 debt under the SHA), and 5/9th of the loans payable to CMHC (referred to as NHA Section 82 debt under the SHA), and the related interests payables. As a result, the Corporation has a right to offset the funding receivable from CMHC with the long-term debt owing to CMHC under the terms of the SHA.
- In prior years, the Corporation had recorded on its consolidated balance sheet the long-term debt owing to CMHC, but did not record the amount receivable for the funding by CMHC of the repayment of the long-term debt and related interests. Rather, the Corporation recognized annually as government funding from CMHC on the consolidated statement of operations an amount equal to the annual non-cash repayment to CMHC of the long-term debt principal balance and related interests. Since the funding from CMHC represents an amount receivable by the Corporation, a restatement of the 2006 consolidated financial statements was necessary to record the amount receivable from CMHC. However, since there is a right to offset the funding receivable against the long-term debt payable with no exchange of cash between the Corporation and CMHC, the 2006 restatement resulted in a reduction of $65,935 in the long-term debt payable to CMHC, a reversal of the 2006 interest on long-term debt of $7,254, a reduction of the funding from CMHC of $11,868, and an increase of $55,169 to deferred capital funding.
- This credit to the deferred capital funding is necessary since under Canadian GAAP, the government assistance received from CMHC in 1999 under the SHA for the social housing assets should be deferred and recognized as revenue on the same basis as the related capital assets are amortized. The 2006 consolidated statement of cash flows was restated to exclude the non-cash interest expense on the long-term debt, the non-cash reduction in the long-term debt principal balance, and the offsetting non-cash government funding from CMHC which should not be reflected in the consolidated statement of cash flows according to Canadian GAAP.
- To record $2,183 in funds received from the Government used to purchase depreciable capital assets as deferred capital funding. The Corporation incorrectly credited $2,183 in funding received from the Government used to purchase depreciable capital assets directly to equity. This restatement is necessary since under Canadian GAAP, government assistance received for the acquisition of, or in the form of, depreciable capital assets, should be deferred and recognized as revenue on the same basis as the related capital assets are amortized.



- The Corporation also incorrectly classified $288 of funding received from the Government as being used for the repayment of long-term debt and credited it directly to equity when in fact such funding should have been recognized as revenue in the year received.
- To adjust the ending equity by $10,766 to recognize the net impact of the above restatements.

The net effect of the restatements on the consolidated financial statements for 2006 is summarized below. There is no effect for the current year.

	2006
Consolidated Balance Sheet:	
Decrease in long-term debt	$ (65,935)
Increase in deferred capital funding	55,169
Increase in equity of the Government of the Northwest Territories	10,766
Consolidated Statement of Operations:	
Decrease in interest on long-term debt	7,254
Increase in funding from the Government of the Northwest Territories	288
Decrease in funding from CMHC	(11,868)
Increase in amortization of deferred capital funding	2,903
Decrease in net results of operations	(1,423)
Consolidated Statement of Equity:	
Increase in equity of the Government of the Northwest Territories	
Beginning of the year	14,660
Less decrease in net results of operations	(1,423)
Less reclassification of equity to deferred capital funding	(2,183)
Less reclassification of equity to funding from the Government	(288)
End of the year	$ 10,766

4. Cash and Cash Equivalents

	2007	2006
Cash	$ 7,898	$ 9,892
Short-term investments	11,830	13,928
	19,728	23,820

The Corporation invests in the short-term money market. The market yield of this portfolio ranged from 1.75% to 4.63% in 2007 (2006 – 1.25% to 5.20%). All instruments held are in high quality debt obligations with a weighted average remaining term to maturity of 27 days (2006 – 36 days).

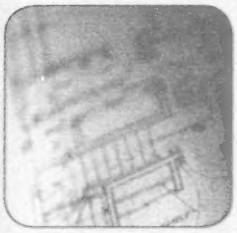
5. Accounts Receivable

	2007	2006
Trade accounts receivable	$ 2,804	$ 1,398
Tenant rents receivable	1,204	636
Receivables from related parties		
Government of the Northwest Territories	17,616	147
Canada Mortgage and Housing Corporation	899	1,364
	$ 22,523	$ 3,545

6. Fixed-term Investments

	2007			2006
Issuer	Effective Rate of Return	Term to Maturity	Carrying Value	Carrying Value
Government of Canada	3.26%	1 to 7 years	$ 1,100	$ 1,031
Trust company	3.55%	1 to 2 years	1,015	1,015
Provincial government	4.50%	1 to 8 years	4,347	4,347
			$ 6,462	$ 6,393

The average yield of this portfolio in 2007 was 4.09% (2006 – 4.17%).



7. Investments in Housing Projects

a) Land and Buildings

	2007			2006
	Cost	Accumulated Amortization	Net	Net
Land	$ 230	$ –	$ 230	$ 230
Housing for sale	952	–	952	1,135
Social housing	187,950	85,993	101,957	104,901
Social housing under capital lease	11,318	4,559	6,759	7,181
Leased to purchase housing	14,734	3,548	11,186	11,438
Market housing	7,379	1,060	6,319	5,689
Construction in progress	31,325	–	31,325	9,431
	$ 253,888	$ 95,160	$ 158,728	$ 140,005

b) Mortgages Receivable

	2007	2006
Mortgages, interest at rates varying between 5.95% and 14.25% per annum, repayable over a maximum of 25 years	$ 45,697	$ 47,157
Less: allowance for mortgage subsidy	(29,225)	(30,031)
Unsubsidized mortgages receivable	16,472	17,126
Less: allowance for impaired mortgages	(14,571)	(13,320)
	$ 1,901	$ 3,806

The recorded investment in mortgages specifically identified as being impaired is $14,571 (2006 – $13,320). There were no write-offs in the current year (2006 – none).

The carrying amount of mortgages receivable should not be interpreted as the realizable value on immediate settlement of such mortgages due to uncertainty associated with such a settlement.

c) Funding for Social Housing Assets

Under the terms of the 1999 Social Housing Agreement (SHA) between CMHC and the Corporation, the Corporation originally received funding from CMHC in the form of long-term mortgages and loans payable, to build social housing assets in the Northwest Territories. Under the SHA, the Corporation also received additional funding from CMHC (the "Additional Funding") to cover the long-term debt principal and interest payments due to CMHC as described in Note 10. The additional funding has been recorded as deferred capital funding on the consolidated balance sheet (see Note 13), and is being amortized and recognized as government funding on the consolidated statement of operations on the same basis as the related capital assets.

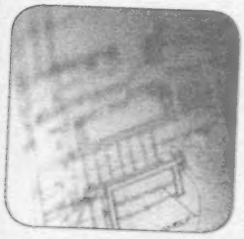
The Corporation also receives funding from the Government of the Northwest Territories to build these social housing assets.

8. Property and Equipment

	2007			2006
	Cost	Accumulated Amortization	Net	Net
Warehouses and offices	$ 6,549	$ 3,237	$ 3,312	$ 3,461
Office furniture and equipment	4,813	3,885	928	976
Leasehold improvements	657	391	266	332
	$ 12,019	$ 7,513	$ 4,506	$ 4,769

9. Accounts Payable and Accrued Liabilities

	2007	2006
Trade payables	$ 15,300	$ 9,935
Security deposits	1,303	1,244
Employee leave benefits (includes LHA benefits of $395; 2006 – $254)	1,118	823
Accrued interest	518	460
Wages and benefits	453	430
Prepaid rent	56	70
Deferred revenues	97	46
Payables to related parties		
Government of the Northwest Territories	1,309	968
	$ 20,154	$ 13,976



10. Long-term debt Payable to Canada Mortgage and Housing Corporation (CMHC)

	2007	2006 (Restated – Note 3)
Loans payable to CMHC (NHA Section 82 debt), repayable in annual installments until the year 2033, bearing interest of 6.97% (2006 – 6.97%). The loans are guaranteed by the Government of the Northwest Territories	$ 10,982	$ 11,291
Mortgages payable to CMHC for two housing projects acquired from third parties in accordance with the provisions of the SHA related to third party loans, maturing in 2026 and 2027, at interest rates of 4.47% and 4.45%, respectively (2006 – 3.74% and 3.86%, respectively)	3,020	3,120
	14,002	14,411
Portion included in current liabilities	434	415
	$ 13,568	$ 13,996

Under the terms of the 1999 SHA, CMHC originally provided funding to the Corporation to build social housing assets in the form of long-term mortgages payable to CMHC (referred to as NHA Section 79 debt under the SHA) and loans payable to CMHC (referred to as NHA Section 82 debt under the SHA). Under the SHA, CMHC also agreed to provide additional funding to the Corporation (the "Additional Funding") to reduce 100% or $47,276 (2006 – $51,822) of the NHA Section 79 debt and to reduce by 5/9th or $13,727 (2006 – $14,113) the NHA Section 82 debt, and to fund the related interest repayments that the Corporation would make each year to CMHC. This additional funding receivable from CMHC and the related payments due by the Corporation each year on the long-term debt payable to CMHC are offset, resulting in no exchange of cash between the Corporation and CMHC.

Following the restatement of the prior years' consolidated financial statements (see Note 3); the additional funding receivable is now recorded as a reduction of the corresponding long-term debt payable. Previously, the Corporation had recorded the long-term debt payable with no corresponding receivable for the related funding by CMHC, and each year was recording the non-cash payments of the long-term debt principal and related interests as government funding from CMHC on the consolidated statement of operations.

At March 31, 2007, the funding receivable from CMHC that has been netted against the corresponding long-term debt owing to CMHC amounted to $61,003 (2006 – $65,935). Had CMHC not funded the repayments of the long-term debt principal and interests payable to CMHC, the Corporation would have incurred additional interest expense of $6,663 in 2007 (2006 – $7,254), and would have made additional principal long-term debt repayments to CMHC of $4,932 in 2007 (2006 – $4,614).

As the additional funding from CMHC and the corresponding repayments of long-term debt are non-cash transactions, they have not been recorded in the Consolidated Statement of Cash Flows.

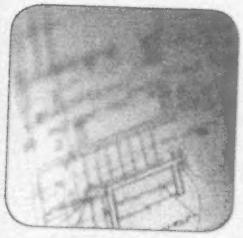
Principal repayments and interest requirements over the life of outstanding loans are as follows:

	Principal	Interest	Total
2008	$ 434	$ 911	$ 1,345
2009	463	882	1,345
2010	493	852	1,345
2011	525	820	1,345
2012	559	786	1,345
2013-2017	3,379	3,332	6,711
2018-2038	8,149	3,516	11,665
	$ 14,002	$ 11,099	$ 25,101

11. Obligation Under Capital Leases

The Northwest Territories Housing Corporation is committed, in aggregate, to payments of $1,754 per annum for 15 lease agreements for housing units that were initiated to support the Public Housing and Senior Citizens' Rent Supplement Programs and three lease agreements for market housing units. These lease agreements are based on implicit interest rates varying from 6.6% to 11.5% and expiry dates ranging from 2012 to 2023. The lease payments may be renegotiated every five years for changes in specific operating costs such as interest rates and cost of utilities. The Corporation is also responsible for other operating costs not included in the annual lease payment.

	Future Minimum Lease Payments	Executory Costs	Imputed Interest	Lease Obligation
Current				
2008	$ 1,754	$ 378	$ 756	$ 620
Long-term				
2009	1,754	378	694	682
2010	1,754	378	633	743
2011	1,754	378	563	813
2012	1,754	378	487	889
2013-2023	8,278	1,936	1,591	4,751
	15,294	3,448	3,968	7,878
Total	**$ 17,048**	**$ 3,826**	**$ 4,724**	**$ 8,498**



12. Employee Future Benefits

Pension Benefits

The Corporation and all eligible employees contribute to the Public Service Pension Plan (the Plan). The Plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index.

Contributions to the Plan were as follows:

	2007	2006
Employer contributions	$ 1,107	$ 1,054
Employee contributions	520	496

Leave, Severance, and Removal Benefits

The Corporation provides leave, severance and removal benefits to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation.

Liability for leave, severance, and removal benefits is as follows:

	2007	2006
Corporate benefit liabilities		
Accrued benefit obligation, beginning of year	$ 2,168	$ 2,073
Costs for the year	322	129
Benefits paid during the year	(58)	(34)
Accrued benefit obligation, end of year	$ 2,432	$ 2,168

13. Deferred Capital Funding

	2007	2006 (Restated - Note 3)
Balance, beginning of the year	$ 122,789	$ 114,692
Government funding used to purchase capital assets	29,373	16,229
Amortization of deferred capital funding	(7,229)	(8,132)
Balance, end of year	$ 144,933	$ 122,789

Included in the above totals are opening deferred capital funding of $69,803 (2006 – $58,803) from the Government of the Northwest Territories and $52,986 (2006 – 55,889) from CMHC. The Government provided all the funding used to purchase capital assets in 2007 and in 2006. Amortization of deferred capital funding includes $4,464 (2006 – $5,229) from the Government and $2,765 (2006 – $2,903) from CMHC. The Government comprises $94,712 (2006 – $69,803) and CMHC comprises $50,221 (2006 – 52,986) of the balance end of year.

14. Administration Expenses

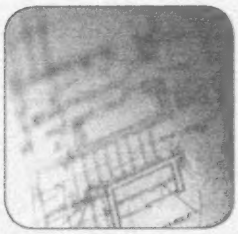
	2007	2006
Salaries and benefits	$ 14,633	13,569
LHA administration	1,607	2,034
Building and equipment rentals	1,491	1,324
Travel and relocation	762	834
Professional and special services	478	739
Computer services	394	300
Communications	255	239
Materials and supplies	262	206
Land title fees and expenses	92	75
Workshops and studies	76	72
	$ 20,050	$ 19,392

15. Funding from Canada Mortgage and Housing Corporation (CMHC)

	2007	2006
		(Restated – Note 3)
Funding received from CMHC recognized as government funding for:		
Contributions to non-profit housing sponsor groups and cooperatives	$ 3,918	$ 3,918
Repairs, maintenance, and other costs	2,037	2,137
Housing Renovation Program Agreement	443	442
	$ 6,398	$ 6,497

Under the terms of the 1999 SHA with CMHC, the Corporation assumed full responsibility for the management of various social housing programs specified in the SHA. CMHC provides annual funding to reimburse repairs, maintenance and other costs incurred by the Corporation to manage these programs. The SHA and the funding expire in 2037. Effective April 1, 2005, funding received from CMHC under the SHA for the operations and maintenance of the social housing programs, not including the unilateral social housing programs (non-profit sponsor groups and cooperatives), is forwarded directly to the Government, as they have assumed the responsibility for the provision of all rental subsidies related to social housing.

The Housing Renovation Program Agreement with CMHC establishes a structure for cost-shared programs that provide assistance to homeowners and landlords for repairs and rehabilitation of properties. CMHC contributes up to 75% of the funding for eligible repairs.



16. Financial Instruments

a) Fair Value

The fair values of the Corporation's financial instruments are estimated as follows:

	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Fixed-term investments	$ 6,462	$ 6,556	$ 6,393	$ 6,329
Loans payable	10,982	11,842	11,291	12,207
Mortgages payable	3,020	2,963	3,120	2,835

Fair values for fixed-term investments are the market values as at March 31.

The fair value of loans and mortgages payable is based on an estimated market value of the debt. This is determined by applying the current yield for debt with a similar maturity date issued by the province of Newfoundland and Labrador and applying this yield to the Corporation's debt. This approach is used because the Government of the Northwest Territories does not issue debt.

The fair value of mortgages receivable is estimated to be the carrying amount due to the significant valuation allowances provided. The fair value of the remaining financial assets and liabilities approximate the carrying amounts because of the short term to maturity.

b) Credit Risk

Investments are managed by external investment managers. All investments have an R-1 medium or an AA rating or higher from the Dominion Bond Rating Service. Investments are limited to a maximum of 10% to 50% of the total portfolio and a maximum dollar value of $10 million depending on the issuer of the investment. There is no significant concentration in any one investment counterparty.

Accounts receivable are primarily amounts due from the Government, CMHC, and federal Goods and Services Tax rebates, which in aggregate represent 87% (2006 – 48%) of balances outstanding.

Mortgage credit risk arises from the possibility that clients might be unable to fulfill their obligation under mortgage contract. This risk is mitigated by verifying employment status and income, and by performing a credit assessment which includes ensuring there are no rent arrears with local housing organizations.

Loan guarantees provided by the Corporation to banks are in respect of loans advanced to individual homeowners and contractors throughout the territory. Guaranteed loans mature at various dates to the year 2023. Losses relating to loan guarantees are not significant to the Corporation's 2007 operations.

17. Commitments

The Corporation leases office space and rent supplement public housing units and is committed to basic rental payments as follows. The leases contain escalation clauses for operating costs and property taxes, which may cause the payments to exceed the basic rental.

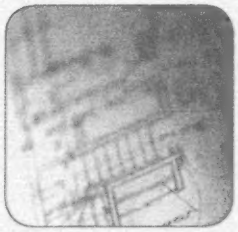
	Total
2008	$ 4,429
2009	3,810
2010	2,487
2011	2,228
2012	1,703
After	1,636
Total	$ 16,293

18. Contingencies

The Corporation provided guarantees to banks in financing certain new or renovated residential housing construction. As at March 31, 2007 a total of 37 (2006 – 46) loan guarantees were in effect, and the outstanding balance of loans guaranteed was $9,969 (2006 – $10,701).

Under the terms of the Social Housing Agreement with CMHC, the Corporation is responsible for the administration of a number of loans to third parties, where CMHC is the lender or insurer of these loans. The agreement provides that the Corporation shall indemnify and reimburse CMHC for and save it harmless from all losses, costs and expenses related to these loans. The outstanding balance of these third party loans as at March 31, 2007 was $35,106 (2006 – $36,392).

The outstanding balances represent the maximum amount of future loan principal payments under the guarantees and indemnities. In the event of default by the borrowers, the lenders could request payment from the Corporation. However the debts are secured by properties which could also be sold to cover the guaranteed debt. The value of the underlying assets is considered to be sufficient to cover the debts.



19. Related Party Transactions

The Corporation is related in terms of common ownership to all Government of the Northwest Territories created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business, under terms and conditions similar to those with unrelated parties. Significant transactions with related parties and balances at year-end are disclosed separately in the financial statements and notes thereto.

20. Subsequent Event

Subsequent to year-end, the Corporation acquired a housing project from a third party sponsor group, which relinquished the asset and associated debt back to the Corporation. The mortgage on the project was administered by the Corporation, on behalf of CMHC, as provided under the Social Housing Agreement signed in 1997. The corresponding asset and liability of approximately $1,805,000 will be recognized in the Corporation's accounts in fiscal 2008.

21. Comparitive Figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.